



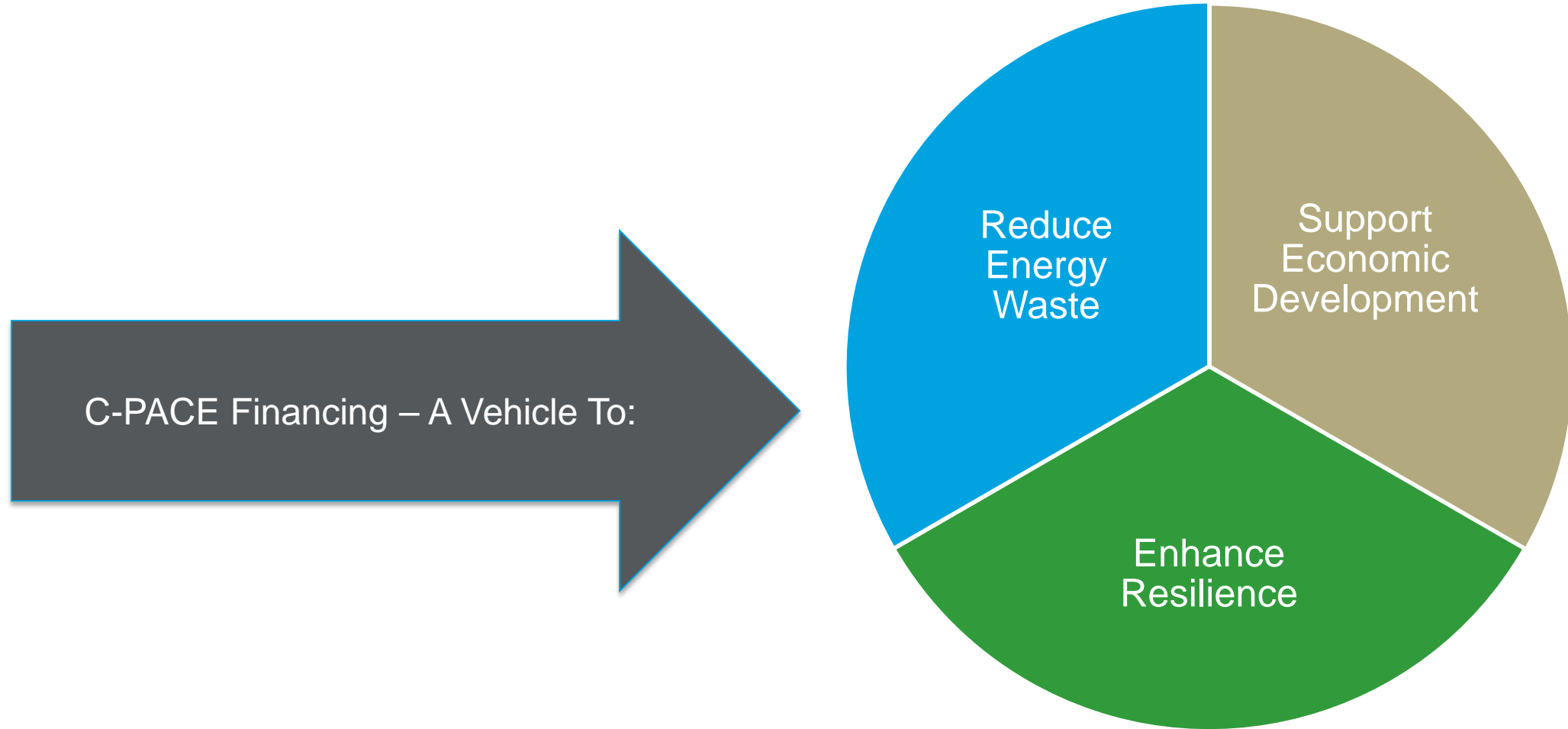
AUGUST 21-23, 2018 • CLEVELAND, OHIO

# Leveraging Commercial PACE to Drive Economic Development and Resiliency

August 23, 2018



# C-PACE: Supporting Multiple Outcomes



# Speakers



Greg Leventis, Program Manager, Lawrence Berkeley National Lab



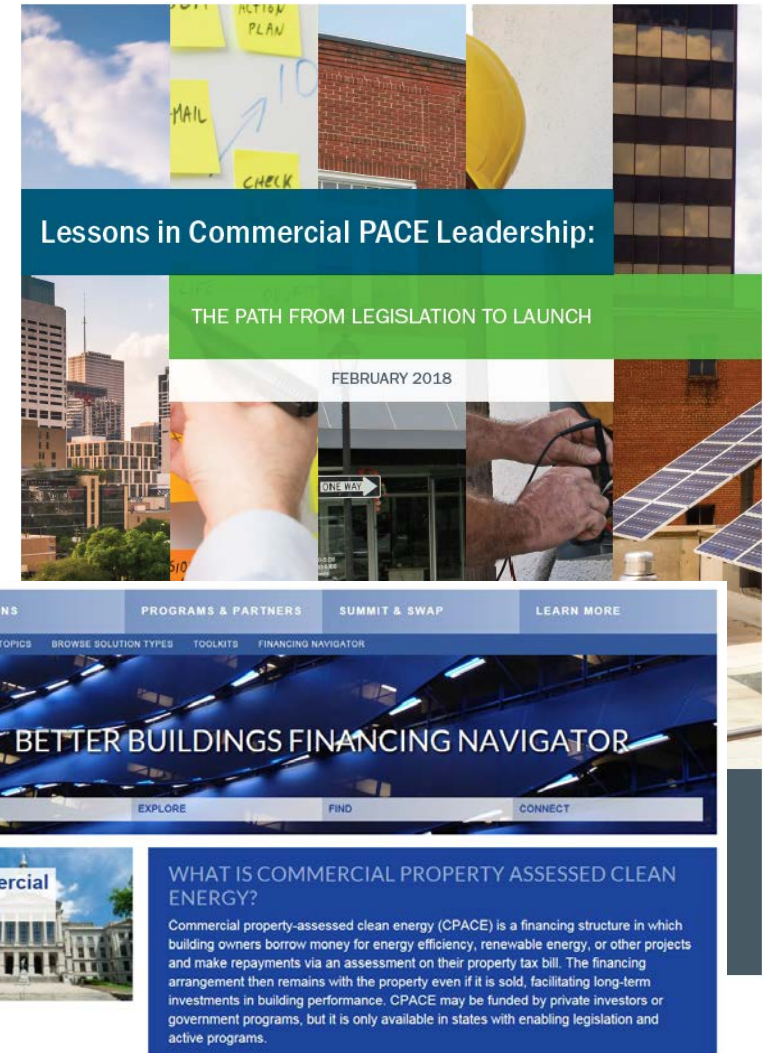
Chris Jones, Senior Director of PACE Financing, OHIO PACE



Rachel Davis, Vice President of PACE Originations, Petros PACE Finance

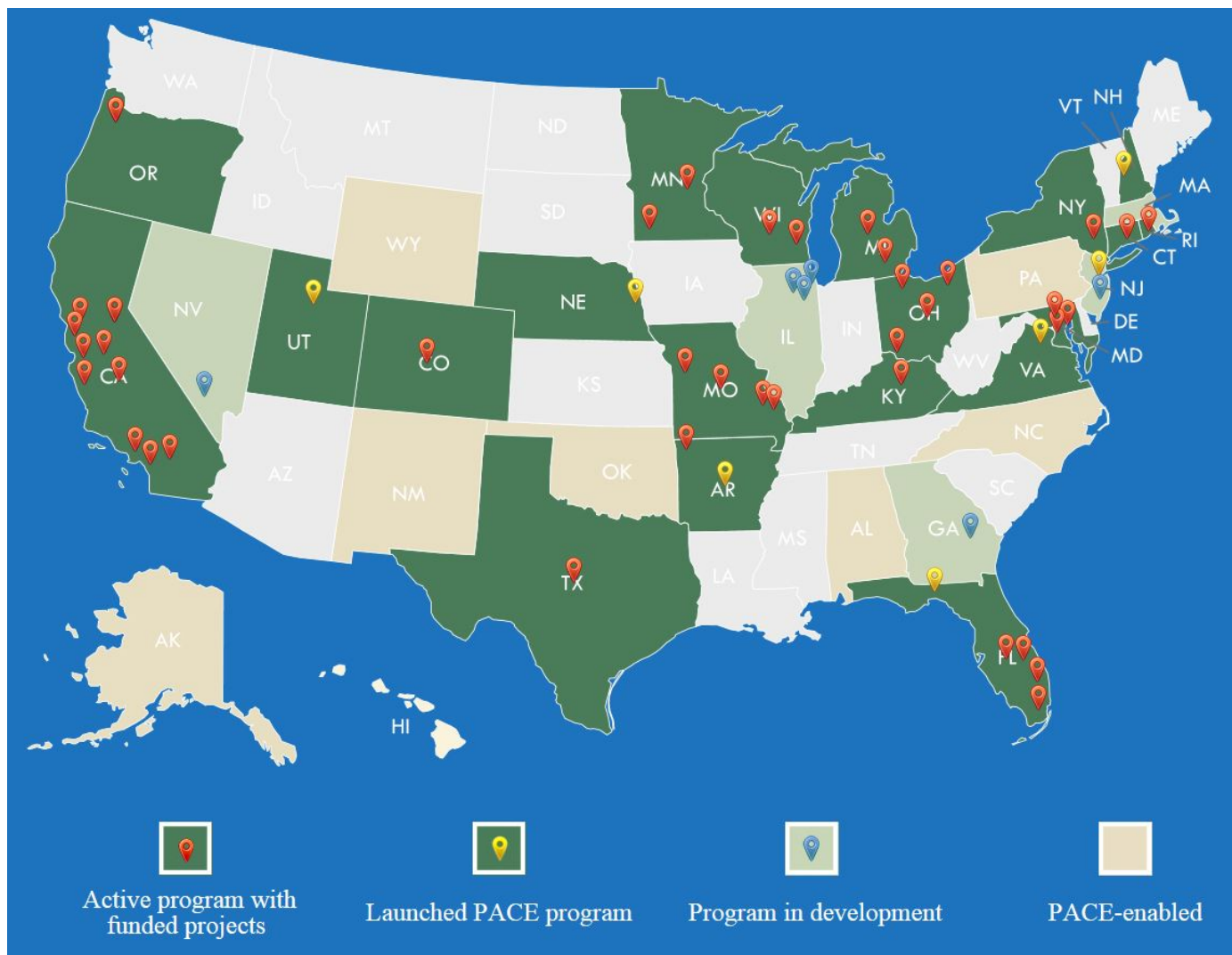
# DOE Resources

- [Lessons in Commercial PACE Leadership: The Path from Legislation to Launch](#)
  - *Fast track program set-up; learn from early C-PACE adopters.*
- [Commercial PACE Working Group](#)
  - *Welcoming new participants!*
- [Better Buildings Financing Navigator 2.0](#)
  - *Connect with Financial Allies including C-PACE service providers.*
- [Toolkit: Commercial PACE Financing for Resiliency](#)
  - *Featuring a fact sheet, recorded webinars, and case studies.*





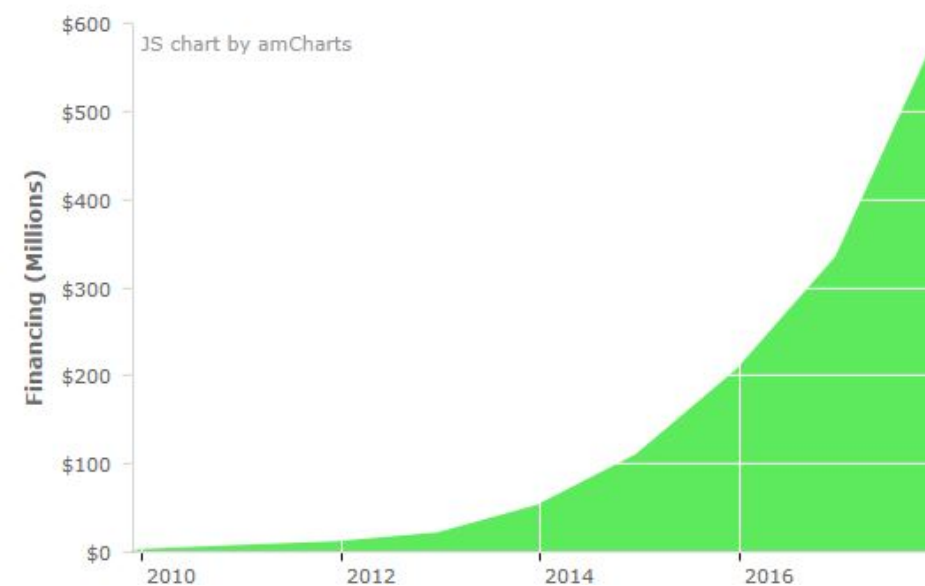
# C-PACE Market Update



- Enabled in 33 states + D.C.
- \$672 million financed; 1,600+ projects

*Cumulative C-PACE Financing*

2010-2017



Source: [PACENation](http://PACENation.com). Accessed on July 23, 2018.

# C-PACE Overview and Energy Efficiency Public Purpose



Energy Technologies Area

Lawrence Berkeley National Laboratory

# Lessons in Commercial PACE Leadership: The Path from Legislation to Launch

August 23, 2018

Greg Leventis

Electricity Markets and Policy Group

This work was supported by the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, Office of Weatherization and Intergovernmental Programs, under Lawrence Berkeley National Laboratory Contract No. DE-AC02-05CH11231.



# Agenda

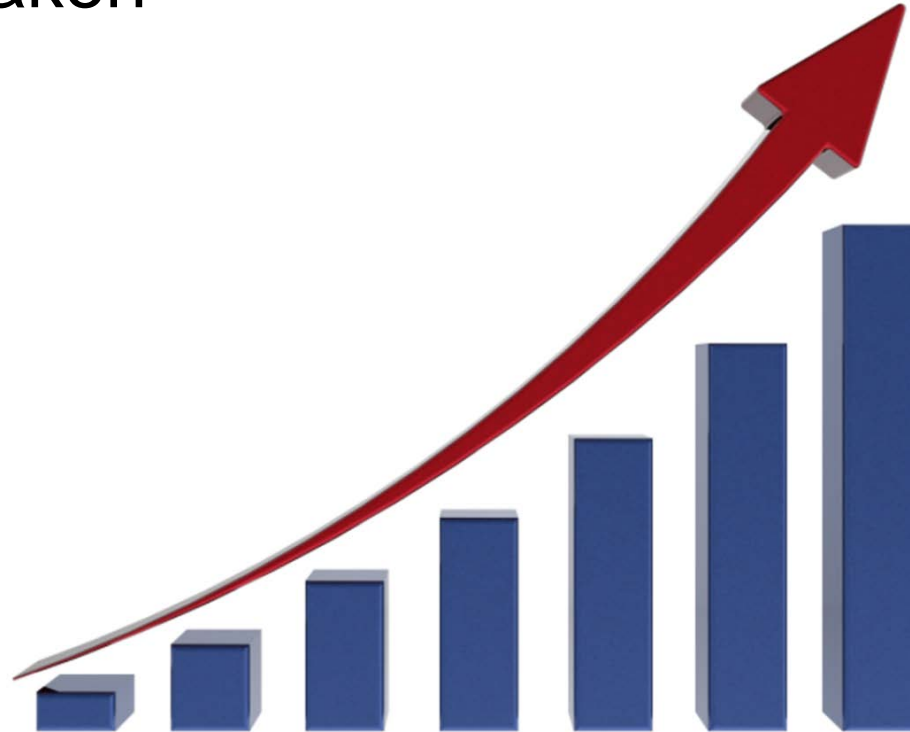
- ◆ Report takeaways
- ◆ C-PACE process and ecosystem overview
- ◆ Energy efficiency and renewable energy public purpose



# **Report takeaways**

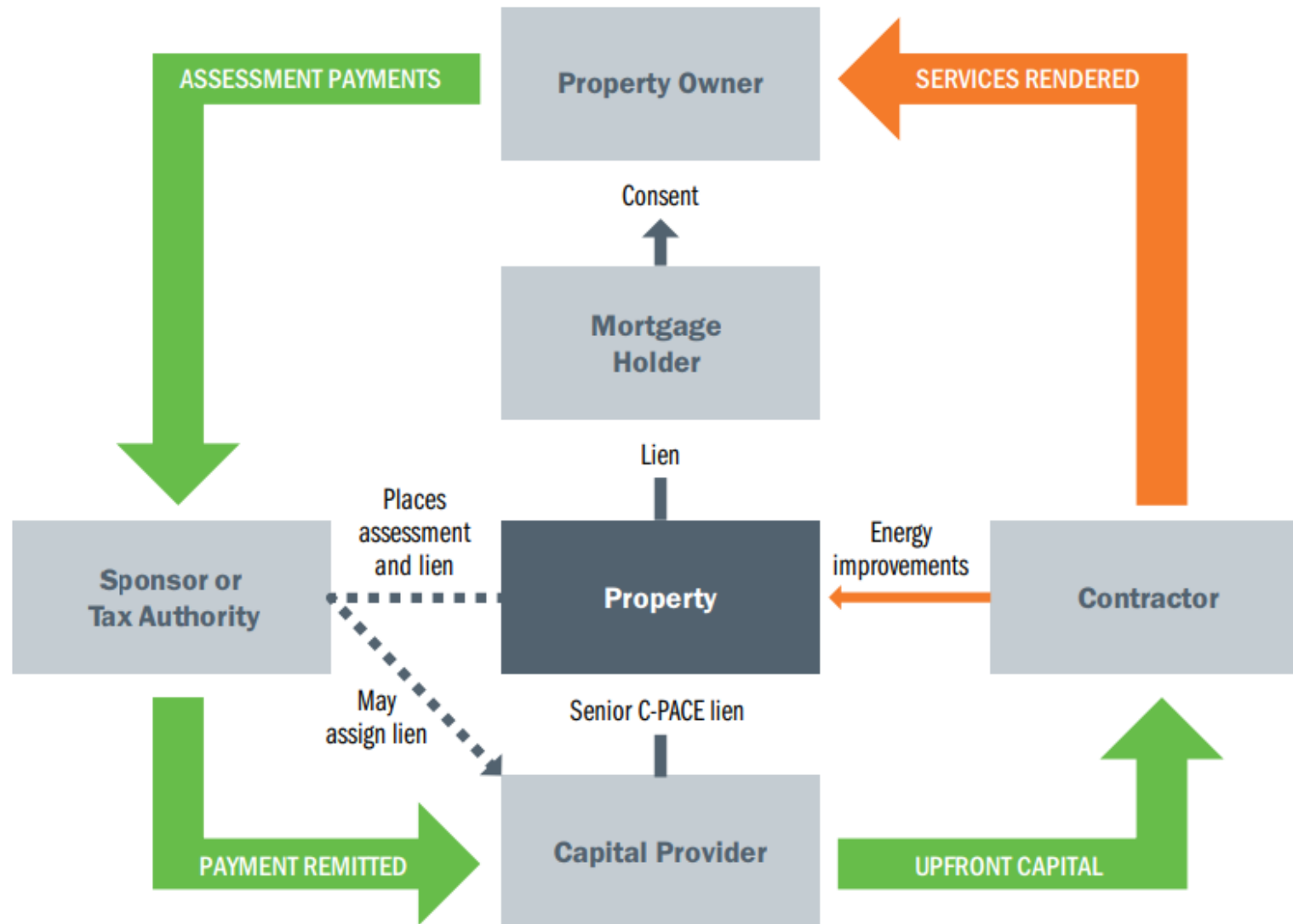
# Report takeaways

- ◆ C-PACE is a quickly evolving and growing area
- ◆ Variety of approaches being taken
- ◆ Some common confusion



# **Process overview**

# Process overview



# Process overview:Administrative structures

Model	Description
<b>Statewide</b>	One statewide program administrator
<b>State and local option</b>	Statewide program coexists with locally- or privately-administered programs
<b>Strategic state support</b>	State gives guidance to local and private program administrators
<b>Limited or no state support</b>	No state involvement or limited state involvement (beyond enabling legislation)



# Process overview: Capitalization

	Closed market model	Open market model
<b>Definition and mechanics</b>	Program relies on a single provider of capital to fund C-PACE assessments	Building owners can choose among multiple capital providers
<b>Examples</b>	Sonoma County Energy Independence Program (SCEIP)	Connecticut C-PACE Texas C-PACE

# C-PACE ecosystem

## ◆ Stakeholder groups involved in the C-PACE process

- ❑ Program sponsor
- ❑ Program administrator
- ❑ State and local governments
- ❑ Building owners
- ❑ Capital providers
- ❑ Contractors
- ❑ Existing mortgage holders



**Public purpose**

# Public purpose: Enabling legislation

## ◆ Importance

- ❑ Sets the framework within which the program sponsor can design and implement the program

## ◆ Key provisions

- ❑ Definitions and treatment of assessments
- ❑ Authorizations (e.g., to set up special assessment districts, levy assessments and enforce liens)
- ❑ Mortgage holder consent
- ❑ Program capitalization
- ❑ General categories of improvements
- ❑ Underwriting and qualifying guidelines
- ❑ Guidelines on performance (e.g., energy savings)



# Public purpose: Enabling legislation

## ◆ Importance

- ❑ Sets the framework within which the program sponsor can design and implement the program

## ◆ Key provisions

- ❑ Definitions and treatment of assessments
- ❑ Authorizations (e.g., to set up special assessment districts, levy assessments and enforce liens)
- ❑ Mortgage holder consent
- ❑ Program capitalization
- ❑ General categories of improvements
- ❑ Underwriting and qualifying guidelines
- ❑ Guidelines on performance (e.g., energy savings)



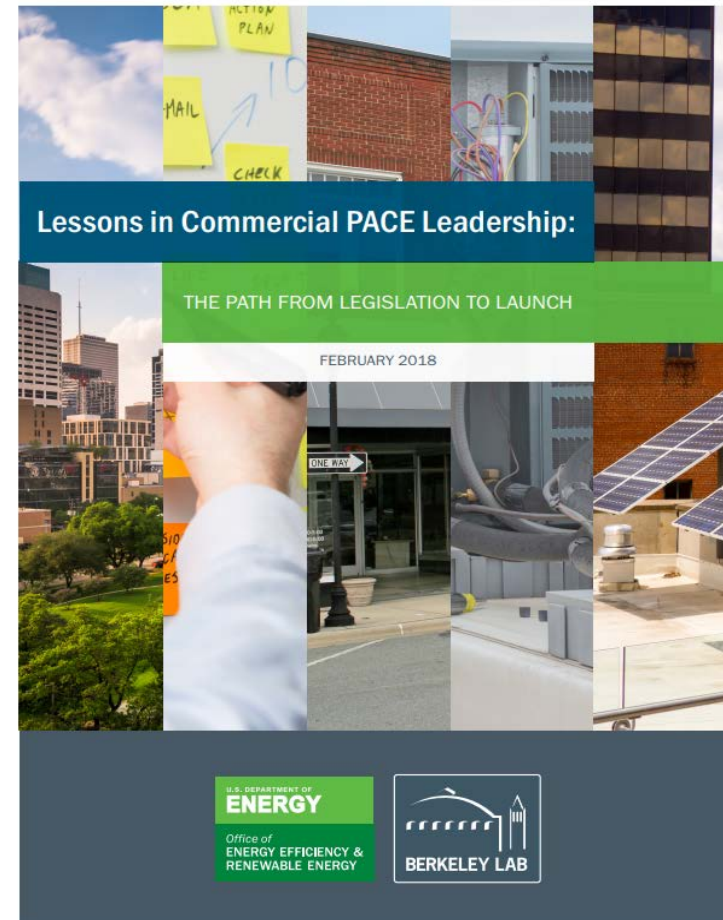
# Public purpose: Savings estimation and documentation

- ◆ Should savings impacts be documented?
- ◆ Should energy audits be required?
- ◆ Should some level of savings be required for eligibility (e.g., a savings-to-investment ratio (SIR)  $>1$ )?



# For more

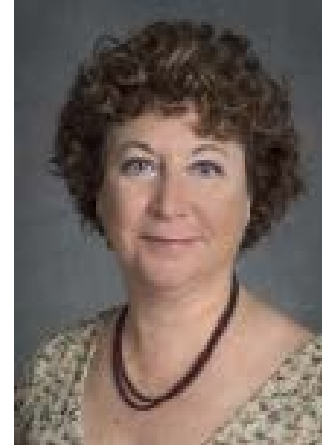
- ◆ To find the report and for more information on efficiency financing, visit <https://emp.lbl.gov/>



# Contacts



Greg Leventis  
(510) 486-5965  
[gleventis@lbl.gov](mailto:gleventis@lbl.gov)



Lisa C. Schwartz  
(510) 486-6315  
[lcschwartz@lbl.gov](mailto:lcschwartz@lbl.gov)



Jeff Deason  
(510) 486-6891  
[jadeason@lbl.gov](mailto:jadeason@lbl.gov)

# Program Administrator Role and Economic Development



Greater Cincinnati  
**Energy  
Alliance**

PACE Program Administration  
&  
Economic Development

# Who we are



- Nonprofit organization focused on energy efficiency investments
  - Public-Private Partnerships
  - BBNP grantee 2010
- **Commercial PACE**
- **\$50M+ investments to date**
- [greatercea.org](http://greatercea.org)
- Two PACE brands:
  - **OHIO PACE** ([ohpace.org](http://ohpace.org))
  - Energize Kentucky ([kypace.org](http://kypace.org))



# Ohio's PACE Law



- **Energy SID or “ESID”**— A special type of financing district created under ORC Ch. 1710 in 2009 for the purpose of financing:
  - Energy efficiency
  - Solar photovoltaic and thermal
  - Geothermal
  - Wind
  - Biomass

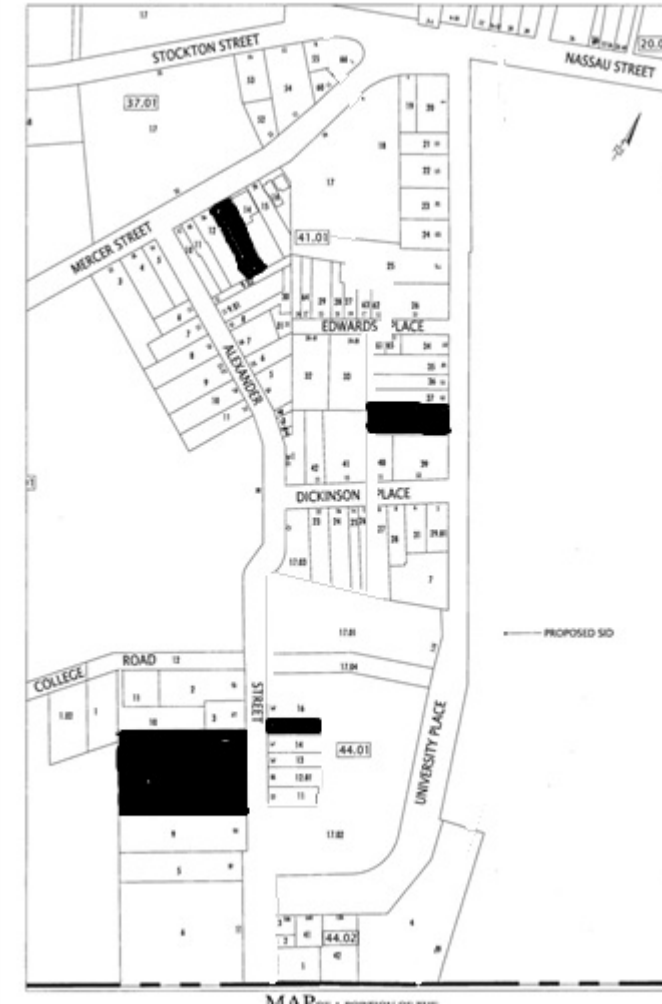






# OHIO'S PACE LAW: ESIDs

- Modified existing Special Improvement Districts to create ESIDs
  - Local Legislation needed by City, Village or Twp.
    - (NO COUNTY LEVEL)
- Property owner voluntarily joins district
- Non-contiguous district for property owners
- ESID Boards are created and managed by Program Administrators



# PACE Program Administration



Coordination with several entities:

1. Private Property Owner
2. Contractors
3. Local governments (large vs. small jurisdictions)
4. PACE District Boards
5. Tax Assessor and Collection
6. PACE funders
7. Legal counsel
8. Local mortgage lending industry

# PACE Program Administration



## Program creation considerations:

- Open market approach
- Consistent program guidelines across jurisdictions
- Regional or state-wide scale
- Stages for program creation:
  1. Planning (seek all the PACE expertise as possible!)
  2. Implementation (processes documented)
  3. Maintenance (open feedback loop)

# PACE Program Administration



Over 75 individual tasks:

1. Marketing
2. Application process
3. Assessment authorization coordination
4. Closing assistance with local agencies
5. Site visit upon project completion

# PACE Program Administration



## Marketing & Advertisement

- Contractors
- CRE community
- Local governments
- Law firms
- Mortgage lending companies
- Press coverage

# PACE Program Administration



## Internal Staffing Needs for:

- Project/pipeline management
- Day to day program management
- Document & data management (CRM)
- Partnership management



# PACE Program Administration



## Summary:

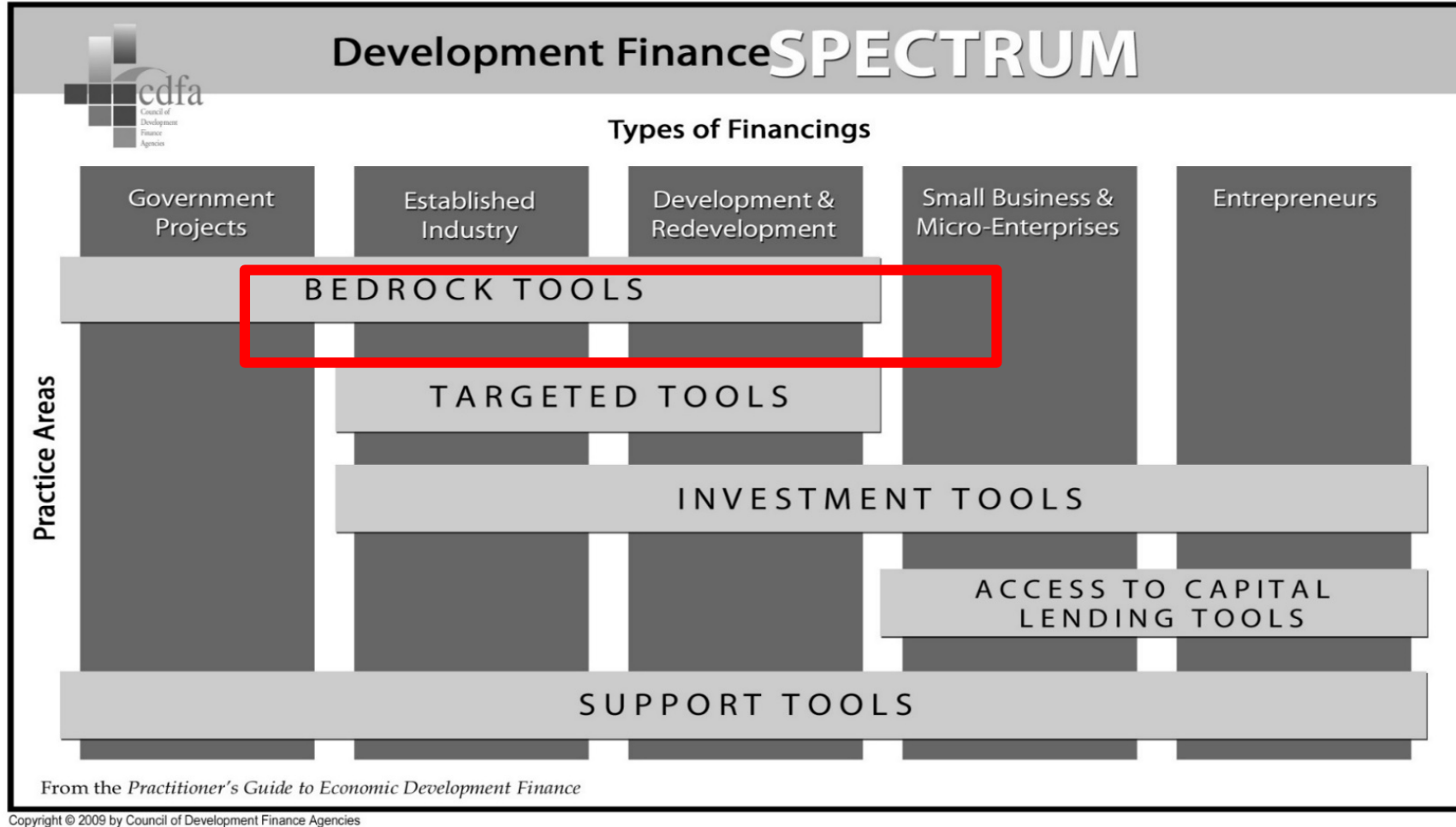
- Seek PACE expertise when in planning stage
- Sustained marketing to all local partners is essential
- **DON'T UNDERESTIMATE THE LONG SALES CYCLES!**
- **REQUIRES LOTS OF PATIENCE!!**
- Seek PACE expertise when in implementation stage!



## ***A free-market, pro-business solution:***

*The historic approach to energy efficiency has focused on incentives and subsidies; the PACE approach offers an alternative more aligned with free market principles, is totally voluntary, puts no public funds at risk **AND** layers with traditional sources to fill capital stacks.*

# PACE & Economic Development



# PACE & Economic Development: “Ecosystem of Development Finance”



- Development finance is the efforts of local communities to support, encourage and catalyze expansion through public/private investment in physical development/ redevelopment and/or business/industry.
- Development finance is the act of contributing to a project/deal that causes that project/deal to materialize in a manner that benefits the long term health of the community.

# PACE & Economic Development:

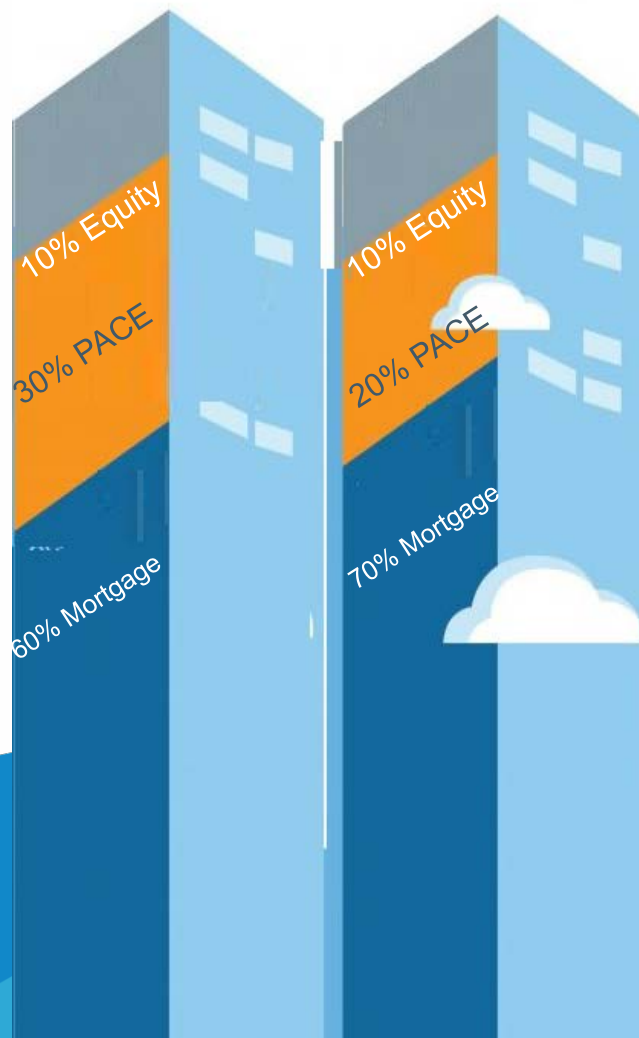
## Why PACE Financing?



- Businesses need working capital and the ability to invest in themselves
- Developers need assistance to achieve an acceptable ROI
- Communities need infrastructure and amenities
- Citizens need opportunities for advancement – jobs, small business, education, etc.
- Regions need economic prosperity

# KEY POINTS FOR UNDERWRITING

## Retrofit



## New Construction / “Gut Rehab”

- \$50K\* minimum with no upper limit
- Prepayment options
- Mortgage lender consent

# CONTACT INFO



**CHRIS JONES**  
SR. DIRECTOR OF PACE FINANCING  
CJONES@OHPACE.ORG

GREATER CINCINNATI ENERGY ALLIANCE  
513.621.4232  
[WWW.GREATERCEA.ORG](http://WWW.GREATERCEA.ORG)

# Capital Provider Role and Resilience





**PETROS PACE**  
FINANCE

**DOE Better Buildings Summit 2018**  
**Leveraging Commercial PACE to Drive Economic Development**  
**and Resiliency**

**August 23, 2018**

Petros PACE Finance is an  
Austin-based specialty lender  
focused solely on C-PACE



**PETROS PACE**  
FINANCE

## Committed Capital

*As a capital provider with strategic capital partners in place, we have the flexibility to fund projects from \$500K to \$50M+*

## Unmatched Experience

*Petros is the only C-PACE capital provider in the country with executive level expertise in commercial lending, debt fund management, structured finance and long-term, direct relationships with institutional investors*

## Nationwide Coverage

*Petros is an approved capital provider in the majority of approved C-PACE markets and has closed transactions in nine states plus Washington, D.C.*

## Execution Excellence

*Recognized as the industry leader in C-PACE financing, Petros has funded over \$50M in projects since 2016, including the largest ever C-PACE loan*

## Program Design

*Involved in early stage development in numerous state programs, Petros is on the front lines helping program administrators structure documents and processes for optimum efficiency*



# Role of the Capital Provider

---



Originate and cultivate financing opportunities

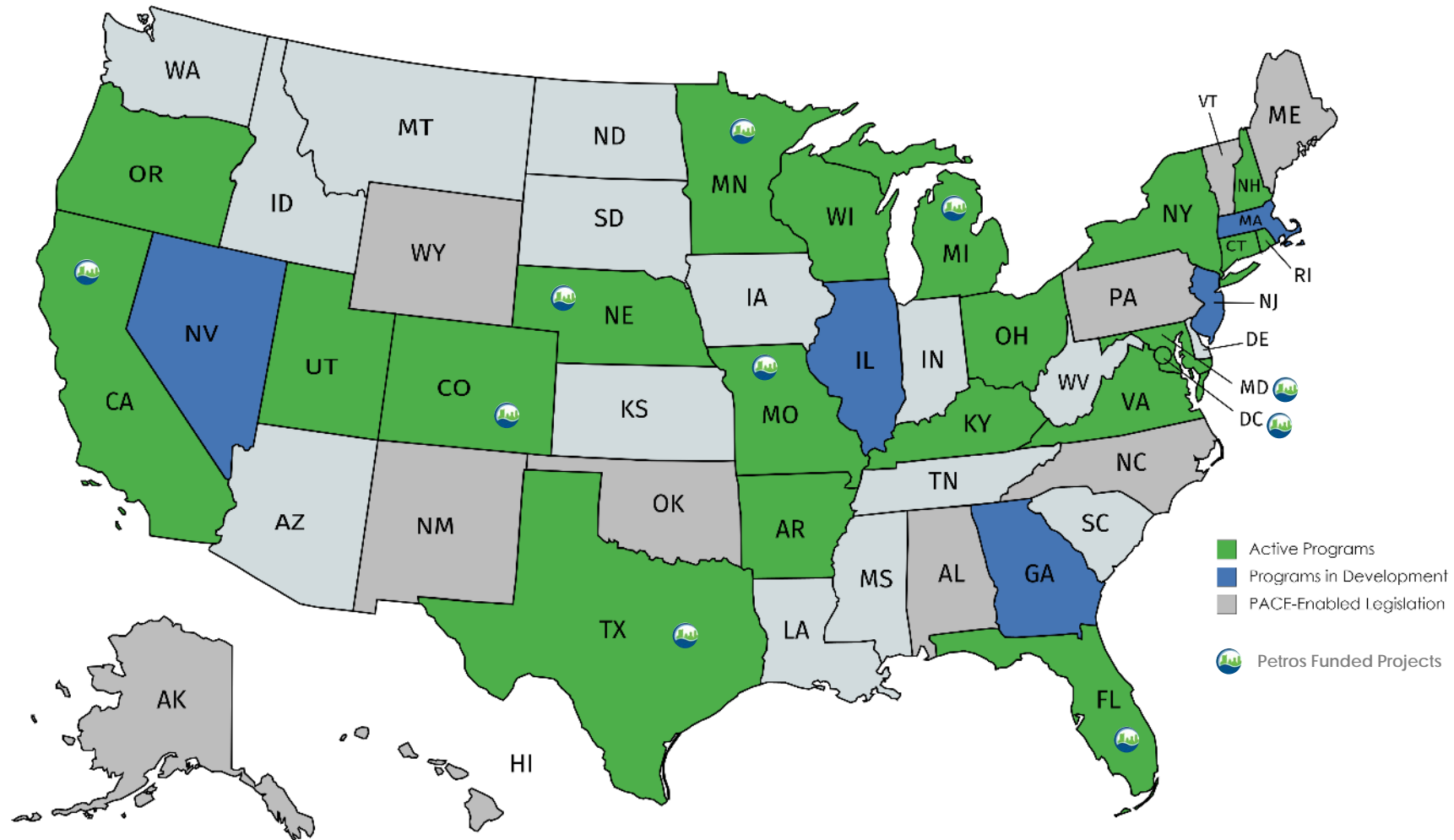
Underwrite projects consistently and efficiently

Coordinate with Program Administrators in the approval, closing and diligence collection process

Provide capital at competitive rates

---

# C-PACE Market Opportunities





# Capital Provider Investment Opportunity



Stabilized  
Building  
Projects



New  
Construction  
& Rehab  
Projects



Office

Industrial

Hotel

Senior Living

Healthcare

Education

Non-Profit

Retail

Multi-Family

Manufacturing



**PETROS PACE**  
FINANCE

# What is Resiliency

---

The ability to **prepare for** and **adapt to** changing conditions and **withstand** and **recover rapidly** from disruptions, including the ability to **withstand** and **recover** from deliberate attacks, accidents, or naturally occurring threats or incidents

-PPD-21: Critical Infrastructure Security and Resilience



The ability to **prepare** and **plan for**, **absorb**, **recover from**, and more successfully **adapt to** adverse events

-Urban Land Institute (ULI)



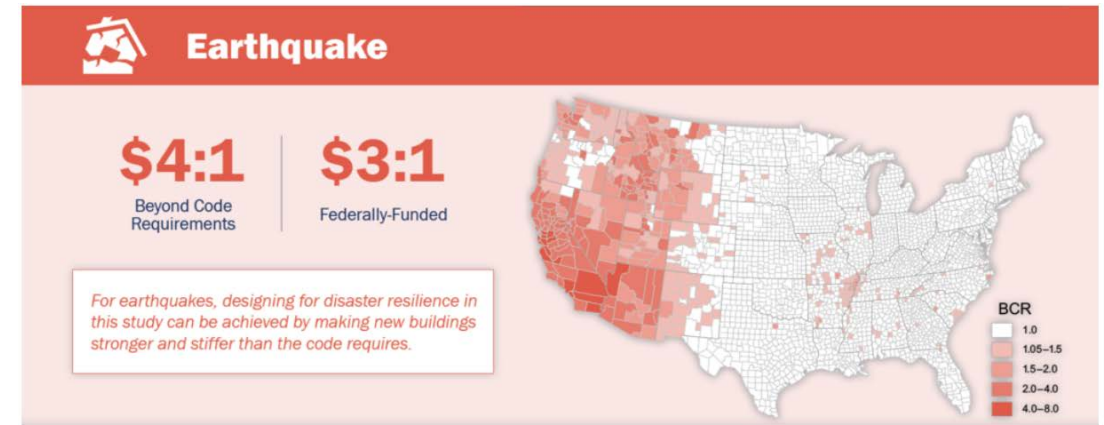
The ability to **recover** or **adjust to** misfortune or change. More specifically...resilience is the ability of an organization to **resist being affected by** an event or the ability to **return to** an acceptable level of performance in an acceptable period of time after being affected by an event

-NERC



# Value of Resiliency

Cumulative Cost of 2017 Weather and Climate Disasters in the US = **\$300 BILLION+\***



Source: [Natural Hazard Mitigation Saves: 2017 Interim Report](#), published by the National Institute of Building Sciences

Additionally, the Urban Land Institute finds that ***resilience*\*\* ...**

- improves property attractiveness
- increases sales, marketing and leasing
- better financing options
- more competitive insurance rates
- greater long-term savings on maintenance, and
- higher overall value compared with more vulnerable properties

\*Source: National Oceanic and Atmospheric Association (NOAA) \*\* [Return on Resilience The Business Case](#), published by the Urban Land Institute (ULI)

# Financeable Measures





# C-PACE Facilitates Resilience

---

## High Upfront Capital Costs

C-PACE provides 100% financing of hard and soft costs associated with qualified resiliency measures.

## Little to No Savings Generated

C-PACE can often provide longer-term financing at lower rates reducing the cashflow impact to buildings.

## Long Term Investments

C-PACE is tied to the building, not to the owner, and transfers automatically upon sale, reducing concerns over hold period uncertainty.

Resiliency Can Lead to Energy Efficiency



# Resiliency Case Study

---

## PETROS PACE FINANCE CLOSES ON LARGEST DEAL IN COMMERCIAL PACE HISTORY WITH CLEANFUND

*In May 2017, Petros PACE Finance, LLC, the premier national PACE lender, completed a \$20 million C-PACE financing with Seton Medical Center in San Mateo County, California for mandatory seismic upgrades required by California state law.*

Funding: Petros \$20 Million of \$40 Million Total

Property Type: 11-story, 377,000 SF, 357-bed hospital

Location: San Mateo County, CA

### Scope of Work:

- Widening of the core foundation to reduce rocking potential, including grade beams, steel gravity framing, spread footing foundations, fiber wrap around concrete columns, steel plate and threaded rod collectors, and concrete collectors.
- Upgrades to hospital's key non-structural systems, such as mechanical, electrical, plumbing, communication, fire alarm, emergency power and lighting, and fire sprinklers.



# Thank You

---

For more information on C-PACE, visit:

<http://www.petros-pace.com/>

<http://pacenation.us/>

<https://betterbuildingssolutioncenter.energy.gov/financing-navigator/option/cpace>

<https://betterbuildingssolutioncenter.energy.gov/toolkits/commercial-pace-financing-resiliency>

Rachel L. Davis

Vice President

[rachel@petrospartners.com](mailto:rachel@petrospartners.com)

(832) 489-2788



**PETROS PACE**  
FINANCE



**PETROS PACE**  
FINANCE

# Discussion

# Thank You!

## ■ Speakers

- Greg Leventis; E: [gleventis@lbl.gov](mailto:gleventis@lbl.gov)
- Chris Jones; E: [cjones@ohpace.org](mailto:cjones@ohpace.org)
- Rachel Davis; E: [Rachel@petrospartners.com](mailto:Rachel@petrospartners.com)

## ■ Moderator

- Sean Williamson; E: [Sean.Williamson@ee.doe.gov](mailto:Sean.Williamson@ee.doe.gov)